

Sydney dispatch

War on cheap drugs

The big US pharmaceuticals firms are using Australia's public medicine supply scheme for target practice, writes David Fickling

David Fickling
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If you are reading this in the UK, Australia, Canada or Maine, you may be the victim of a conspiracy you have scarcely guessed at.

Your government is preventing you from getting access to life-saving drugs. Diabolically, it is insisting that you only receive the medication you need if pharmaceutical companies give subsidies to the rich.

Welcome to the world as seen through the eyes of big drugs firms. Public pharmaceuticals programmes, by which governments drive down prescription costs by bulk-buying common medicines, are a mainstay of public health systems across the developed world. To the lunatic fringe of the pharmaceuticals lobby, they are a menace: patients under such programmes may be healthier and financially better off but (the argument goes), intangibly, they are less free.

Top of the liberation hit-list at the moment is Australia, which is embarking on the final round of free trade negotiations with the US in Washington this week. The country's Pharmaceutical Benefits Scheme (PBS) is likely to become a key target of US trade negotiators over the next fortnight.

Drugs companies contributed £10m to George Bush's election campaign in 2000 and are determined to get their money's worth out of any free trade agreement. The grumbles of the drugs and farming lobbies have already delayed the signing of the deal, which President Bush had previously scheduled for before Christmas.

US companies' principal lobbyist, the Pharmaceutical Research and Manufacturers Association (Phrma), views the trade talks as a vital opportunity to tackle what it regards as Australian protectionism.

Phrma's version of capitalism is bizarre. Public pharmaceuticals programmes are to drugs as Wal-Mart is to kitchenware and camping gear: they push down prices by buying in volumes that none of their competitors can match. There are no laws in Australia banning non-PBS medicines from the market, and no tariffs are imposed on drugs that are not listed.

Nonetheless, Phrma argues that the very existence of a government agency whose purpose is to depress the prices of drugs is anti-competitive. Before a drug is listed on the PBS, its worth must first be evaluated by committee, using criteria of provable effectiveness, value and safety; all of which means that prescribing doctors are unable to take other considerations into account - say, whether the manufacturer has bought them a golf club membership.

Australia's conservative Coalition government is not widely trusted on public health issues, but ministers have been keen to proclaim their commitment to the PBS. Interviewed on ABC radio last week, the prime minister, John Howard, stressed that certain issues would not be up for negotiation: any deal, he explained, "means the protection of the essentials of things like the Pharmaceutical Benefits Scheme".

Mr Howard's use of language is famously circumspect, and it is always worth thinking hard about his choice of words. Here it is important to note that he is not talking about protecting the scheme as a whole, only certain undefined "essentials".

The likely line of attack during the trade talks will be Australia's patent laws. At present, the lifeblood of the PBS is the constant supply of low-cost generic drugs being brought on to the market; a few tweaks of intellectual property rules could banish them from existence.

The pharmaceuticals companies would see their profits rise - one report last month estimated that such a change would add an extra A\$1bn (£470m) to the A\$1.6bn cost of running the PBS - but Canberra could still argue that it had defended the structure of the PBS and hope that the public would not notice the rising costs of prescriptions.

The US pharmaceuticals lobby can gain leverage from the fact that Australia has much more to lose from this free trade deal falling apart. Each country is expected to see its GDP rise by around US\$15bn (£8bn) as a result of the pact, but in Australia's small economy that difference will be felt much more keenly.

Australian prime ministers have been pushing for an agreement since the early 1990s, and John Howard was in Washington lobbying for free trade talks on September 11 2001. "It would be a very foolish government that passed up this once-in-a-generation opportunity," he told the ABC, in far more emphatic terms than he used to defend the PBS.

US politicians have been more direct in their comments. A letter to the US trade representative Robert Zoellick written by the Democrat congresswoman Rosa DeLauro and signed by 17 other members of Congress put matters more bluntly.

"We are deeply opposed to the trade office being used by the US pharmaceutical industry to achieve its strategic objective of raising worldwide drug prices to the level now paid by US consumers," the letter read.

The claim of global intent is no idle fear. The US drugs lobby increasingly regards public pharmaceuticals programmes, such as the PBS, the NHS's purchasing and supply agency, and Canada's provincial drug review committees, as a threat that must be conquered.

The awkward pact struck between the US House of Representatives and Senate late last year over President Bush's Medicare bill included provisions to scrutinise such "protectionist" programmes in foreign countries, and if necessary to eliminate them through free trade negotiations.

It shows how far the debate has drifted when you think that Washington once spent its time trying to lower the costs of the one in four prescriptions that are not filled because US citizens cannot afford to buy the medicines they need. Now, the problem is seen to be not high prices at home, but low prices overseas.

As the US free-marketeer James Glassman wrote last week, "US policy-makers should focus attention not on the fact that Americans pay more for drugs, but on the fact that Canadians pay less because they are freeloading on Americans."

All the same, American politics is a broad church. Beyond the beltway, the momentum is increasingly towards public pharmaceuticals programmes of the sort that US free market advocates berate as protectionist in other countries.

One such programme kicked off in the state of Maine last weekend, after years of appeal and supreme court battles against the Phrma. Another is scheduled to start in Hawaii later this year, and even the governor of Florida, Jeb Bush - the brother of the president himself - has stated his support for cheap prescriptions for the sick over hefty profits for corporate boards.

We must hope that the same staunch concern for the public interest is characterising the actions of Canberra's trade negotiators this week. It would be a shame if Australia were to take lessons in standing up to Washington from America's own state governments.